

## BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Investigation on the Commission's Own Motion Into the Operations and Practices of Southern California Edison Company; Notice of Opportunity For Hearing; and Order to Show Cause Why the Commission Should Not Impose Fines and Sanctions For Major Power Outages In the City of Long Beach on July 15 to July 20, 2015, and on July 30 to August 3, 2015.

**FILED**  
**PUBLIC UTILITIES COMMISSION**  
**JULY 14, 2016**  
**SAN FRANCISCO**  
**Investigation 16-07-007**

**ORDER INSTITUTING INVESTIGATION,**  
**ORDER TO SHOW CAUSE AND NOTICE OF HEARING**

**I. INTRODUCTION**

As a consequence of serious problems in Southern California Edison Company's ("SCE") electrical system, the City of Long Beach suffered multiple and significant power outages that affected up to 30,000 SCE customers, including a five-day outage from July 15 to July 20, 2015 and a four-day outage from July 30 to August 3, 2015. In addition to the aforementioned outages, electrical problems in SCE's system caused fires in underground structures, explosions that sent manhole covers airborne, and other events that endangered public safety in the City of Long Beach.

By this Order, the Commission institutes a formal investigation to determine whether SCE violated State requirements, including Public Utilities Code ("P.U. Code") §§ 451 and 768.6, Commission rules, General Orders, Decisions, or other applicable laws, rules or regulations for failing to properly maintain, inspect, and manage the electrical system in Long Beach. This investigation shall also determine whether SCE maintained adequate, accurate, and complete records and whether SCE provided sufficient emergency response and communications to various parties during the power outages. SCE is subject to the Commission's jurisdiction, its General Orders, rules,

Decisions, and State law. Among other things, these authorities set forth requirements for the construction, maintenance, inspection, and operation of underground electric facilities in California as well as the outreach and education of emergency response personnel, public officials, and customers.

Based on an investigation and report by the Commission's Safety and Enforcement Division ("SED") Staff and documents cited therein, the Commission finds that SED Staff has made a prima facie showing that SCE may have violated State requirements, including General Order ("G.O.") 128 and P.U. Code §§ 451 and 768.6. As described in detail below, SED Staff's report finds that SCE improperly installed, configured and maintained its network; failed to maintain adequate, accurate, and complete network system maps; lacked adequate training; failed to correct or replace missing and deteriorated equipment; and failed to adequately respond to the power outages. In addition, the report finds that SCE failed to comply with Decision ("D.") 14-08-009 by not implementing recommendations from the 2011 SED Windstorm report.<sup>1</sup> Therefore, this Order Instituting Investigation ("OII") orders SCE to appear and show cause why the Commission should not investigate the July and August, 2015 power outages in the City of Long Beach and why the Commission should not make a finding that SCE violated G.O. 128, P.U. Code §§ 768.6 and 451, and D.14-08-009.

This Order provides notice that the Commission will set a hearing to determine if SCE has violated the Commission's General Orders or other applicable authority pertaining to the events of July and August, 2015. This Order also directs SCE to show cause as to why the Commission should not find violations in this matter, and why the Commission should not impose penalties and/or any other forms of relief, if any violations are found.

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<sup>1</sup> *Investigation Report of Outages during July and August of 2015 In Southern California Edison Company's Long Beach District*, filed on July 14, 2016 ("Investigation Report"); SED's Windstorm Report is attached herein as Attachment 2.

## **II. BACKGROUND AND SUMMARY OF SED STAFF REPORT**

On July 15, 2015, the City of Long Beach experienced prolonged power outages that lasted five days and left up to 30,000 SCE customers without electricity.<sup>2</sup> On July 30, 2015, secondary conductors burned and failed in an SCE underground vault, causing another power outage that left almost 17,500 SCE customers in Long Beach without power. Following that incident, power was not restored to all SCE customers in the Long Beach area until August 3, 2015. The multiple outages caused major harm to Long Beach residents, reduced public safety, and disrupted businesses throughout the City of Long Beach.

### **A. The Investigation**

The Commission's SED initiated an independent investigation shortly after the incident. The team selected was tasked with determining the causes of the outages, SCE's communication with customers and public officials during the outages, SCE's response and restoration efforts, and whether SCE violated any of the Commission's General Orders.

The SED investigation team reviewed both SCE's internal causal evaluation report and a separate report produced by SCE's independent consultant, Davies Consulting, which examined SCE's emergency response to the Long Beach incident. SED Staff issued numerous requests for information (data requests) to SCE, conducted in-depth joint interviews of SCE personnel, interviewed witnesses and public officials, reviewed and examined evidence, and conducted site inspections.

SED Staff has completed its investigation report, dated June 2016, which is attached to this Order in redacted form. As indicated by how much of the SED Staff report had to be redacted, we believe SCE has marked as "Confidential" too much of its data responses to SED. However, in order to be fair, SCE shall be given an opportunity to justify why parts of the report should remain confidential. SCE will be served with a

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<sup>2</sup> The term "customer" refers to one metered account on SCE's billing system. For example, one household can be a customer. Additionally, a multi-unit complex with only one SCE meter is also considered a customer.

public and redacted version of the SED Staff report and an unredacted version of the SED Staff report, filed under seal, concurrently with the OII. Within 14 days of the issuance of this OII, SCE shall be directed to respond in a pleading under seal with its justifications as to which particular part of the redacted information, if any, should be considered confidential. SED Staff will then have 14 days to reply. Both the response and reply shall be filed under seal. The assigned Commissioner and/or the assigned Administrative Law Judge (“ALJ”) shall then issue a ruling as to whether any part of the SED Staff report should be redacted or not.

### **B. SED’s Findings**

In its report, SED Staff found significant problems with SCE's maintenance, inspection, and management of the electrical system in Long Beach, as well as with SCE's emergency response and communications during the aforementioned outages. SED discovered serious neglect and deterioration of SCE's Long Beach secondary network, improperly configured protective devices, equipment installed without critical components, deteriorated cables, poorly constructed and failed cable splices, and improperly racked equipment. SED's investigation also revealed that SCE's inadequate knowledge of the secondary network system contributed to improper troubleshooting techniques and longer restoration times. SED attributes these equipment problems and other issues to multiple systemic failures within SCE, including:

- Poor management of network operation and maintenance.
- Inadequate knowledge of SCE's own network system.
- Inadequate inspection and maintenance activities and a confusing management structure that did not place any specific entity in charge of secondary network facilities.
- Poor maintenance management processes, including inadequate methods for recording problems in SCE's network and ensuring that problems were addressed in a timely manner.
- Inadequate training of people performing work on the network, out-of-date network maps and schematics, and inadequate risk assessment.

- Failure to act on employee concerns regarding maintenance of the network prior to the outages. In one instance, SCE failed to act in a timely or adequate manner to a 2011 internal report that delineated multiple problems with the Long Beach secondary network and predicted a high possibility of a catastrophic failure.
- Multiple problems with SCE's emergency response to the outages, primarily with SCE's communications with Long Beach officials and first responders, as well as SCE's communications with the public.
- Failure to implement provisions of the 2011 SED Windstorm report, as ordered in D.14-08-009.

**C. SED's Conclusions and Recommendations**

SED Staff's report on the Long Beach power outages concludes that SCE violated G.O. 128, including but not limited to Rules 17.1, 17.2, and 33.6-A, for failing to adequately design, install, maintain, and inspect its electrical distribution system, and for failure to maintain reasonably accessible working space in SCE's underground vaults. In addition, SED Staff's report concludes there was a violation of § 768.6 as SCE did not hold meetings with specific city and county representatives to improve SCE's emergency and disaster preparedness plan. The report also finds that SCE failed to comply with D.14-08-009 that required SCE to implement recommendations from the SED 2011 Windstorm report, in particular that SCE provide accurate restoration time estimates to its customers. Finally, SED Staff's report finds that SCE violated P.U. Code § 451, which requires every public utility to reliably furnish and maintain its facilities to promote the safety of its employees, patrons, and the public.

SED Staff's report concludes that the above-mentioned violations caused or contributed to the multiple and significant power outages that resulted in property damage, fires, explosions and other events that endangered the safety of the public in Long Beach between the months of July and August, 2015.

In addition to the violations stated above, SED Staff made recommendations in their investigation report related to network system outages, SCE's emergency response, and SCE's corporate culture. These recommendations were in

addition to the recommendations identified in SCE's Root Cause Evaluation report and those in the independent Davies report.<sup>3</sup>

### III. INITIATION OF INVESTIGATION

The Commission institutes this formal proceeding pursuant to Rule 5.1 of the Commission's Rules of Practice and Procedure to consider the allegations in the SED Staff report and any other relevant evidence. This proceeding shall determine whether SCE and its officers, directors, managers or employees violated any provisions of the California P.U. Code, Commission General Orders or Decisions, or other applicable standards, laws, rules or regulations in connection with the Long Beach incident that resulted in two major power outages that affected approximately 30,000 customers.

SCE has an obligation to maintain its facilities in a safe and reliable manner pursuant to State law including P.U. Code § 451, General Orders, and Commission Decisions. The California Legislature has recognized in P.U. Code § 330(g) and other parts of the P.U. Code that an electric utility such as SCE has "a duty to provide electricity to the public" because "electric service is of utmost importance to the safety, health, and welfare of the state's citizenry and economy."<sup>4</sup> There is a strong presumption that power should stay on.<sup>5</sup> The Commission has repeatedly stated that public safety is a top priority and that "operating a safe system also includes the reliable provision of electricity. Without power, numerous unsafe conditions can occur. Traffic signals do not

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<sup>3</sup> The recommendations in the Davies report and in SCE's internal Root Cause Evaluation report are summarized, respectively, in Attachment A and Attachment B to the SED report; Southern California Edison Company, *Long Beach July 2015 Secondary Network Outages RCE, Summary and Report*, available at: [http://newsroom.edison.com/internal\\_redirect/cms.ipressroom.com.s3.amazonaws.com/166/files/201510/Long%20Beach%20July%202015%20Secondary%20Network%20Outages%20RCE%20Final.pdf](http://newsroom.edison.com/internal_redirect/cms.ipressroom.com.s3.amazonaws.com/166/files/201510/Long%20Beach%20July%202015%20Secondary%20Network%20Outages%20RCE%20Final.pdf); Davies Consulting, *Independent Report Evaluation of the July 2015 Long Beach Network Outages: Root Cause and Southern California Edison's Response*, November 15, 2015, available at: [http://newsroom.edison.com/internal\\_redirect/cms.ipressroom.com.s3.amazonaws.com/166/files/201510/](http://newsroom.edison.com/internal_redirect/cms.ipressroom.com.s3.amazonaws.com/166/files/201510/).

<sup>4</sup> Decision ("D.") 09-09-030, 2009 Cal. PUC LEXIS 437 at 10; *See*, Public Utilities Code (P.U. Code) § 330(h) ("It is important that sufficient supplies of electric generation will be available to maintain the reliable service to citizens and businesses of the state"); *See also*, P.U. Code § 391(a) ("Electricity is essential to the health, safety, and economic well-being of California consumers).

<sup>5</sup> D.09-09-030, 2009 Cal. PUC LEXIS 437 at 55.

work, life support systems do not work, water pumps do not work, and communication systems do not work ... In short, there is a strong presumption that power should remain on for public safety reasons.”<sup>6</sup>

The SED Staff report provides the Commission with prima facie evidence that SCE may have violated applicable laws, regulations or Commission Orders. We will therefore issue an order to show cause for SCE to respond to claims within SED Staff’s investigation report of violations of the P.U. Code, Commission General Orders and Decisions, and other applicable standards, laws, rules and regulations. To the extent the Commission determines there are violations as SED Staff has maintained in its report, then the Commission shall consider whether to institute fines and remedies pursuant to P.U. Code § 2107 et al.. A violation of the Public Utilities Code or a Commission Decision or Order is subject to fines of \$500 to \$50,000 for each violation, for each ongoing day, pursuant to P.U. Code §§ 2107 and 2108. The Commission may also order the implementation of other remedies, including operational and policy measures designed to prevent future incidents pursuant to P.U. Code §§ 701, 702 and 761.

#### **IV. PRELIMINARY SCOPING MEMO**

Rule 7.1(c) of the Rules of Practice and Procedure provides that an OII shall attach a preliminary scoping memo. The following discussion meets this requirement.

##### **A. Issues**

This investigation shall focus on the Long Beach power outages that occurred between July and August, 2015, to determine if SCE has violated laws, General Orders, regulations, rules, or other requirements. The Commission has broad authority to impose fines and other remedies if the violations are proven. We emphasize that the Commission’s remedial powers are not limited to its authority to impose civil penalties. We place SCE on notice that the Commission may consider ordering it to implement

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<sup>6</sup> *Id.*, at 79; D.14-03-004, 2014 Cal. PUC LEXIS 124; D.02-11-026, 2002 Cal. PUC LEXIS 720.

SED's recommendations or other measures to improve and ensure system-wide safety and reliability.

The scope of this proceeding may include, but will not be limited to, the following areas and issues:

- Determine SCE's role in the two power outage incidents that occurred from July 15 to July 20, 2015 and July 30 to August 3, 2015 that left up to 30,000 customers without power;
- Determine SCE's compliance with state laws, General Orders, regulations and rules including, without limitation, P.U. Code §§ 451 and 768.6;
- Determine whether any of SCE's acts or omissions contributed to the incidents in July and August, 2015;
- Determine whether SCE violated recordkeeping related rules or requirements regarding its procedures, training, and supervision linked to its Long Beach network;
- Determine what actions SCE has taken, or shall take, to prevent another incident from occurring and the necessary breadth of those actions, including whether such actions shall be area-specific or system-wide; and
- Determine the penalty for any proven violation.

We invite parties to comment on the range of issues identified above and to make recommendations regarding additional issues to be included in this proceeding. In their comments, parties may state objections to the order regarding the need for hearing, issues to be considered, or the proposed schedule.

#### **B. Category of Proceeding and Need for Hearing**

Rule 7.1(c) provides that an OII shall determine the category of the proceeding and preliminarily determine the need for hearing. This Investigation is characterized as adjudicatory, as that term is defined in Rule 1.3(a). We expect disputed issues of material fact over which the parties will seek to cross-examine others. Therefore, we preliminarily determine that a hearing will be needed.

### **C. Schedule**

Pursuant to Rule 7.6(a), appeals of the categorization of this investigation, if any, are to be filed and served within 10 days of the date this OII is issued.

Responses on this preliminary scoping memo may also be filed and served within 10 days of the date this OII is issued. Replies to responses may be filed and served within 5 days of the due date for responses. SCE is directed to file a response under seal to justify each and every item that is redacted in the SED Staff Report, due to SCE's claims of "Confidentiality," within 14 days of the issuance of this OII. If SCE feels that none of the items in the SED Staff report should be redacted then SCE must inform SED within 14 days of the issuance of this OII. SED shall file a response under seal within 14 days of SCE's response, unless SCE states that none of the items in the SED Staff report shall be redacted.

A prehearing conference ("PHC") will be scheduled shortly after receipt of comments on the preliminary scoping memo. We expect that the assigned Commissioner may refine the issues to be addressed when ruling on the final scoping memo.

Appeal of Categorization	10 days after issuance of this OII
Responses on scope and issues in Preliminary Scoping Memo due	10 days after issuance of this OII
SCE Response to justify redactions in SED Staff report	14 days after issuance of this OII
Replies to Comments on issues in Preliminary Scoping Memo due	5 days after Responses on scope and issues in Preliminary Scoping Memo are due
SED Reply to SCE Response justifying any redactions in SED Staff report	14 days after SCE Response to justify redactions are due
Prehearing Conference and Ruling on whether any of SED Staff report should be redacted	To be determined by the assigned Administrative Law Judge
Commission Decision issued	To be determined in the final scoping memo

**V. Parties and Service List**

SCE and, as prosecuting staff, SED are hereby made parties to this investigation. (Rule 1.4(d)). Anyone else who wishes to be a party to this proceeding may move for party status pursuant to Rule 1.4.

The Executive Director shall cause a copy of this Order, including a copy of the redacted SED Staff report, to be served on each person listed in Attachment 1. Persons in Attachment 1 are not automatically placed on the official service list for this proceeding. Any person wanting to be added to the official service list should contact the Process Office. (*See*, Rule 1.9(f)).

Filing and service of documents in this proceeding are governed by the rules contained in Article 1 of the Commission's Rules of Practice and Procedure. (*See* particularly Rules 1.5 through 1.10 and 1.13.) If you have questions about the Commission's filing and service procedures, contact the Docket Office. You also may find information about electronic filing at <http://www.cpuc.ca.gov/PUC/efiling>.

**VI. Public Advisor**

Any person or entity interested in participating in this investigation who is unfamiliar with the Commission's procedures should contact the Commission's Public Advisor's Office in San Francisco at (415) 703-2074, (866) 849-8390, or email [public.advisor@cpuc.ca.gov](mailto:public.advisor@cpuc.ca.gov); or in Los Angeles at (213) 576-7055, (866) 849-8391, or email [public.advisor.la@cpuc.ca.gov](mailto:public.advisor.la@cpuc.ca.gov). The TTY number is (866) 836-7825. Written communication may be sent to the Public Advisor, California Public Utilities Commission, 505 Van Ness Avenue, San Francisco, CA 94102.

**VII. Intervenor Compensation**

A party that expects to request intervenor compensation for its participation in this adjudicatory proceeding shall file its notice of intent to claim intervenor compensation in accordance with Rule 17.1 of the Commission's Rules of Practice and Procedure.

**VIII. Ex Parte Communications**

Pursuant to Rule 8.3(b) ex parte communications in this investigation are prohibited.

THEREFORE, **IT IS ORDERED** that:

1. In accord with Rule 5.1 of the Commission's Rules of Practice and Procedure, the Commission institutes this Order Instituting Investigation and Order to Show Cause on its own motion to evaluate the Staff report of the Safety and Enforcement Division and to determine whether Southern California Edison Company, and its officers, directors, managers, and employees (collectively, "SCE") violated any provision of the California P.U. Code, Commission General Orders or Decisions, or other applicable standards, laws, rules or regulations in connection with two major power outages in the City of Long Beach that occurred in July and August of 2015.

2. SCE is a respondent to this Investigation and shall be subject to Commission orders in this matter.

3. SCE is directed to show at hearings why the Commission should not find it in violation of provisions of the Public Utilities Code, General Orders, and other rules or requirements identified in this Order, and why the Commission should not impose a penalty.

4. Pursuant to P.U. Code §§ 2107 and 2108, the Commission may impose penalties in the amount of \$500 to \$50,000 per day per offense for violations of the P.U. Code or any Commission Order, Decision, rule, or requirement. The Commission may also require payment of remedies to repair any damage to property in the Long Beach territory that resulted from the SCE Long Beach outages in July and August of 2015. SCE is put on notice that it must demonstrate why it should not be held liable for allowing violations of the Public Utilities Code and Commission General Orders, Decisions, rules and requirements. SCE is also placed on notice that the Commission may consider a penalty for each violation and for each day that the outage was ongoing.

5. SCE is hereby given notice that the Commission may order the implementation of operational and policy measures designed to prevent future incidents pursuant to P.U. Code §§ 701, 702, and 761.

6. A redacted copy of SED Staff's report entitled "Investigation Report of Outages During July and August of 2015 In Southern California Edison Company's Long Beach District" is attached to this Order as Attachment 3 and will be made an exhibit in this proceeding. The Executive Director shall cause an unredacted copy of the SED Staff report to be filed under seal concurrently with the OII in this proceeding.

7. Within 14 days of the issuance of this OII, SCE is directed to file a response under seal to justify each and every item that is redacted in the Staff Report due to SCE's claims of Confidentiality under P.U. Code § 583. If SCE feels that none of the items in the SED Staff report should be redacted then SCE is directed to inform SED within 14 days of the issuance of this OII. SED shall file a response under seal within 14 days of SCE's response, unless SCE has agreed that none of the items in the SED Staff report shall be redacted. The assigned commissioner and/or the assigned ALJ shall rule whether any of the SED Staff report should be redacted or whether the information shall be disclosed to the public.

8. The preliminary scope of issues for this Investigation is as stated in the body of this Order.

9. This proceeding is classified as adjudicatory, as that term is defined in Rule 1.3(a) of the Commission's Rules of Practice and Procedure. Under Rule 7.6, this Order is appealable only as to category no later than 10 days after the date of this Order.

10. Parties shall file responses on the scope and issues identified in the preliminary scoping memo within 10 days of the date this Order is issued.

11. Parties may file replies to responses on the scope and issues identified in the preliminary scoping memo within 5 days of the date the responses are due.

12. The assigned Commissioner or Administrative Law Judge ("ALJ") may adjust the schedule identified here.

13. A party that expects to request intervenor compensation for its participation in this investigation shall file its notice of intent to claim intervenor compensation in accordance with Rule 17.1.

14. Ex parte communications are prohibited as set forth in Rule 8.2(b).

15. The Executive Director shall cause a copy of this Order, including a copy of the redacted SED Staff report, to be served on each person listed in Attachment 1.

16. The Executive Director shall cause a copy of this Order and the redacted and unredacted SED Staff report to be served by certified mail on Respondent SCE to each person listed below.

Ronald O. Nichols  
President  
Southern California Edison Company  
2244 Walnut Grove, Suite 354  
Rosemead, CA 91770  
[Ronald.Nichols@sce.com](mailto:Ronald.Nichols@sce.com)

Russell C. Swartz  
Senior Vice President, General Counsel  
Southern California Edison Company  
2244 Walnut Grove, Suite 354  
Rosemead, CA 91770  
[Russell.Swartz@sce.com](mailto:Russell.Swartz@sce.com)

17. The official service list shall include representatives of SED Staff, listed below, and respondent Southern California Edison Company, listed above.

Fadi Daye  
Program and Project Supervisor  
Safety and Enforcement Division  
Electric Safety and Reliability Branch  
California Public Utilities Commission  
320 West 4th Street, Ste. 500  
Los Angeles, CA 90013  
[Fadi.Daye@cpuc.ca.gov](mailto:Fadi.Daye@cpuc.ca.gov)

Niki Bawa  
Staff Attorney for Safety and Enforcement  
Division  
California Public Utilities Commission  
505 Van Ness Avenue  
San Francisco, CA 94102  
[Niki.Bawa@cpuc.ca.gov](mailto:Niki.Bawa@cpuc.ca.gov)

18. The official service list shall also include, as State Service, representatives from the Commission's Safety and Enforcement Division, listed below. Other persons may seek party status by oral motion at the Prehearing Conference or hearing, by written motion, or as directed by the ALJ.

Harvey Y. Morris  
Assistant General Counsel  
Legal Division  
California Public Utilities Commission  
505 Van Ness Avenue  
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Charlotte F. TerKeurst  
Program Manager  
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California Public Utilities Commission  
505 Van Ness Avenue  
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[Charlotte.Terkeurst @cpuc.ca.gov](mailto:Charlotte.Terkeurst@cpuc.ca.gov)

This Order is effective today.

Dated July 14, 2016 at San Francisco, California.

MICHAEL PICKER  
President  
MICHEL PETER FLORIO  
CATHERINE J.K. SANDOVAL  
CARLA J. PETERMAN  
LIANE M. RANDOLPH  
Commissioners